
OLR Bill Analysis

sHB 5718 (File 426, as amended by Senate "A")*

AN ACT CONCERNING MUNICIPAL AUTHORITY TO PROVIDE TAX ABATEMENTS TO ENCOURAGE RESIDENTIAL DEVELOPMENT.

SUMMARY:

By law, towns can offer property tax exemptions for certain economic development projects if the town's legislative body approves. This bill decreases, from \$25,000 to \$10,000, the minimum cost of improvements eligible for a 50% tax exemption for up to three years.

The law allows towns to provide the exemption for the following uses: office; retail; permanent and transient residential; manufacturing; warehouse, storage, or distribution; recreational; transportation; information technology; and multilevel parking supporting a mass transit system. Under the bill, towns may also provide the exemption for mixed-use developments, which are developments that contain, in addition to at least one residential unit, commercial, public, institutional, retail, office, or industrial uses.

Other statutes allow local legislative bodies to designate a neighborhood as a rehabilitation area and defer the increased assessment attributable to building rehabilitation or new construction in the area. Under current law, "rehabilitation area" is defined as a municipality, or any part of a municipality, which is deteriorated, deteriorating, substandard, or detrimental to the safety, health, welfare, or general economic well-being of the community. The bill specifies that only one or more properties in a rehabilitation area need to meet these criteria to be considered a rehabilitation area.

The bill also authorizes East Hartford to establish a special taxing district in the area around Rentschler Field. The district's powers,

organizational structure, and processes are generally similar to special taxing districts operating under the statutes (statutory districts).

*Senate Amendment "A" adds the provision authorizing the creation of a special taxing district in East Hartford.

EFFECTIVE DATE: October 1, 2013, except the provisions authorizing creation of the Rentschler Field Improvement District are effective July 1, 2013.

RENTSCHLER FIELD IMPROVEMENT DISTRICT

The law provides a procedure through which voters in a section of a town may form a special taxing district to provide various public services (see BACKGROUND). The bill provides a procedure through which voters and nonresident property owners in a specified section of East Hartford may form a similar district to provide services and finance infrastructure improvements there. The procedure, which generally mirrors the one the statutes provide, allows these parties to establish the Rentschler Field Improvement District.

District Purposes

The bill allows the district to provide services, such as fire protection; road, tree, and infrastructure maintenance; and community water systems. It also allows it to finance infrastructure improvements, such as utility improvements and connections; bulkhead repairs, dredging, construction, and environmental remediation; and flood or erosion control systems. The district can pay for the improvements directly or give grants to others to provide them.

The bill requires the Rentschler Field Improvement District provisions to be liberally construed to achieve their purposes.

Establishing the District

The bill describes the district's geographic boundaries (approximately 136 acres). The district comes into existence only if voters approve its formation. The process for doing so is largely the same as the one for establishing special taxing districts under law.

The formation process begins when 15 or more people eligible to vote in East Hartford submit a petition to the mayor to establish the district delineated in the bill. The mayor has 30 days to call a meeting of district voters and property owners to decide whether to form the district. Alternatively, the mayor, at his or her discretion, or a group of voters from the proposed district, may petition for a referendum on the question. A petition is valid if it is signed by at least 200 voters or 10% of all district voters, whichever is less. The bill specifies time frames and methods for notifying voters about the meeting or referendum.

The district becomes a body corporate and politic after two-thirds of the voters approve it (either at the meeting or referendum) and its clerk reports to the town about its formation. The initial report must list the officers and describe the district's organization and finances.

Once established, the district assumes all the powers of statutory districts, such as assessing and collecting property taxes and issuing bonds.

Directors and Officers

After being established, the district must hold an organizational meeting at which district voters must fix the annual meeting dates and elect four directors. The East Hartford mayor may appoint one additional director for the district. At least three directors must be Connecticut residents. Voters must also elect a president, vice-president, clerk, and treasurer from among the district's directors. These officers serve only until the first annual meeting, at which time the voters must elect new officers.

Voters and Quorum

Under the bill, such voters are people who (1) live in the district; (2) are liable to it for at least \$1,000 in property assessments (certain tax-exempt entities are also eligible); or (3) own or have an interest in real property located in it, such as banks holding mortgages. In the case of statutory districts, only voters who reside in a proposed district and individuals who own land there can participate in the district's affairs.

Fifteen district voters or a majority of those owning interests in real property in the district are a quorum for transacting general business, as long as the property owners present represent at least 50% of the total property assessments in the district.

District Bonds

The district must enter into an interlocal agreement with East Hartford before it can issue bonds. Once it has done so, the bill allows it to issue up to \$100 million in bonds to finance the improvements and to secure them by the district's full faith and credit; district fees, revenues, or benefit assessments; or a combination of the two. While the bonds are outstanding, the district's powers may not be impaired in any way that would adversely affect the bondholders' interests. Bonds are not considered debts of the state or of East Hartford and can be issued without their consent.

Taxing Power

The bill gives the district the power to levy assessments and taxes on land and buildings benefiting from the district's improvements, but only after holding at least two public hearings in the town; giving notice to the East Hartford mayor and town council; and advertising in at least two newspapers circulating in town.

Relationship to Town and the State

The bill exempts the district's revenues and real and personal property from state and municipal taxes. District bond principal and interest are exempt from state taxes other than the estate and gift, franchise, and excise taxes. But the state and East Hartford can still levy taxes on the incomes and properties of the people and businesses living or operating in the district. The bill also specifies that when East Hartford makes improvements that benefit the district, whether they are in or outside the district, all district properties are deemed to benefit, and therefore may be assessed for the improvements' costs.

Additionally, the district and East Hartford may agree to share real and personal property tax revenue in the same manner municipalities can (see BACKGROUND). Such agreement must be adopted by

resolution of East Hartford's legislative body and the district's legislative body (presumably, its board of directors).

The bill exempts district retail shopping center projects that participate in the Tax Incremental Financing Program (TIFP) (see BACKGROUND) from the law's prohibition on allocating more than 30% of incremental sales taxes directly associated with the project to paying the principal and interest on bonds issued under TIFP. Therefore, under the bill, retail shopping center projects will be treated as any other project.

The law limits state financial assistance to \$10 million within a two-year period, per business project or applicant, unless the legislature specifically authorizes otherwise. The bill exempts development projects in the district if they are funded with TIFP bonds.

Whenever any construction or development activity financed by district bonds is taking place, the district must submit quarterly project activity reports to the East Hartford mayor and town council, Office of Policy and Management (OPM) secretary, and the co-chairpersons of the Finance, Revenue and Bonding Committee.

If East Hartford chooses, it may, by vote of its town council, merge the district into the town if the district (1) does not issue any bonds within four years after the bill's passage or (2) after all bonds are paid off. In that case, district property must be distributed to the town.

Termination

The requirements for terminating the district are the same as those for statutory districts. The decision must be made at a district meeting. The officers first call a meeting for this purpose by voting to terminate the district. The voters can require a meeting if at least 10% of qualified voters or 20 voters, whichever is less, sign a petition calling for one. In lieu of a special meeting, voters can petition for a referendum. Termination requires a two-thirds affirmative vote.

If the voters agree to terminate the district, it cannot dissolve until it pays off its debt and East Hartford agrees to accept its remaining assets

or East Hartford agrees to assume that debt. The clerk must notify the OPM secretary of the termination and record it in East Hartford's land record.

BACKGROUND

Special Taxing Districts

Special taxing districts differ based on who created them. Until the 1890s, the legislature created most of the districts by special acts, which it enacted on behalf of the residents of an area that wanted a specific service. This method allowed the legislature to customize the district's powers and structure to suit the residents' needs. In 1893, the legislature enacted statutes allowing residents to establish, organize, and operate districts on their own without requesting special acts.

Agreement to Share Revenue

By law, the chief executive officers of two or more municipalities (towns, cities, or boroughs) may negotiate an agreement to share real and personal property tax revenue. The public must have an opportunity to participate during the negotiation process. Each participating municipality's legislative body must approve the agreement by resolution.

The agreement must contain all of the provisions on which the municipalities agree and procedures for amending, terminating, and withdrawing from it. The provisions can identify the tax revenue to be shared and collection and distribution mechanisms.

Tax Incremental Financing Program

The law authorizes Connecticut Innovations, Inc. (CI) to finance projects by using the sales, dues, cabaret, and admission tax revenue a project generates. CI first raises money for these projects by selling bonds under its own authority and then repays them with the tax revenue the projects generate.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/22/2013)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 43 Nay 7 (05/06/2013)